



## **Title 10, Chapter 13, Article 1, Sections 8000-8040 California Competes Tax Credit**

Notice published August 10, 2018

### **NOTICE OF PROPOSED RULEMAKING**

The Governor's Office of Business and Economic Development (GO-Biz) proposes to adopt amendments to Title 10, Chapter 13, Article 1, Sections 8000, 8020, and 8030 after considering all comments, objections, and recommendations regarding the Proposed Action. These proposed regulatory amendments are hereafter referred to as the "Proposed Action."

#### **PUBLIC PROCEEDINGS, AUTHORITY, AND REFERENCE**

Any interested person, or his or her authorized representative, may submit written comments relevant to the Proposed Action to GO-Biz at the address below. Comments may also be submitted by email to [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov). The written comment period closes at **5:00pm on September 24, 2018**. GO-Biz will only consider comments received at the GO-Biz office by that time. Submit comments to:

Van T. Nguyen, GO-Biz Counsel  
Governor's Office of Business and Economic Development  
1325 J Street, Suite 1800  
Sacramento, CA 95814  
Email: [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov)

Revenue and Taxation Code sections 17059.2(h) and 23689(h) authorize GO-Biz to amend Title 10, Chapter 13, Article 1, Sections 8000, 8020, and 8030. The Proposed Action implements, interprets, and makes specific, sections 17059.2 and 23689, of the Revenue and Taxation Code. A public hearing on the Proposed Action will be scheduled upon request. To request a hearing, send a letter to the address listed above no later than fifteen days prior to the close of the written comment period.<sup>1</sup> GO-Biz will send notice of the hearing to the requestor and to the interested parties on the California Competes Tax Credit (CCTC) interested parties list for regulatory public hearings. The notice will also be posted on the GO-Biz website at least ten days before the public hearing date pursuant to Government Code section 11346.8(a). The notice will provide the date, time, and location of the hearing. If a hearing is scheduled and you have special accommodation or language needs, please contact Van T. Nguyen via email at [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov) at least one week in advance of the hearing.

#### **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

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<sup>1</sup> If you have special accommodation or language needs, please include this in your request for a public hearing. TTY/TDD speech-to-text users may dial 7-1-1 for the California Relay Service.

Governor Edmund G. Brown Jr. established the Governor's Economic Development Initiative (GEDI) by signing Assembly Bill 93 (Cmte. on Budget, Chapter 69, Statutes of 2013(AB 93)) and Senate Bill 90 (Galgiani, Chapter 70, Statutes of 2013) into law. GEDI is comprised of the Manufacturing Equipment Sales and Use Tax Exemption, New Employment Credit, and the CCTC. GO-Biz is responsible for implementation of the CCTC. The CCTC is an income tax credit available to businesses statewide. Section 1 of AB 93 makes it clear that the intent of GEDI is to attract and retain high-value employers while at the same time ensuring accountability for the state's job creation efforts and the effective use of taxpayer dollars.

The Proposed Action modifies and clarifies changes to the application process to comply with recent changes to sections 17059.2 and 23689 of the Revenue and Taxation Code, and specifies and clarifies definitions for terms used in the administration of the CCTC. The proposed action also includes a new process for a taxpayer to request permission to submit an application before the next designated application period under limited circumstances.

*Anticipated Benefits of the Proposed Action:*

The Proposed Action will assist businesses by providing specification and clarification of definitions used in the program, some of which had to be amended to bring them in compliance with the recent changes to sections 17059.2 and 23689 of the Revenue and Taxation Code. Similarly, some regulations are being deleted because they have been rendered obsolete by the statutory changes. The amendments also include a new process for a taxpayer to request permission to submit an application before the next designated application period under limited circumstances. This new process will provide greater flexibility for potential applicants to apply for a credit before the next designated application period and potentially increase economic opportunities for California workers.

*Determination of Inconsistency/Incompatibility with Existing State Regulations:*

No other state agency has issued any regulations relating to the CCTC program, therefore there are no inconsistencies or incompatibilities with existing state regulations relating to the CCTC program.

DISCLOSURES REGARDING THE PROPOSED ACTION

*GO-Biz has made the following initial determinations:*

Mandate on local agencies and school districts: None.

Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Cost impacts on a representative private person or business: GO-Biz is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Significant effect on housing costs: None.

Significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states: None.

Small business determination: The minor amendments will not have any discernible economic impact on small businesses because they do not impact the cost to prepare the application or impose any additional programmatic burdens or requirements on small businesses. The recent Legislative changes have eliminated the 25% set aside for small businesses, but any business, including small businesses, may continue to apply for a CCTC. The proposed amendments simply conform the regulations to the revised statute.

Results of the Economic Impact Analysis/Assessment: The amendments are designed to provide clarity to businesses on the definitions and application process. The amendments do not substantively alter the application or program implementation processes. Further, they make clear the information business applicants will need to gather and submit as part of the application and evaluation processes. These amendments do not: 1) benefit or otherwise impact worker safety and the state's environment, 2) impact the creation/elimination of California jobs, 3) the creation/elimination of California businesses, or 4) impact the expansion of existing California businesses.

## CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5(a)(13), GO-Biz must determine that no reasonable alternative it considered or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

## CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

Van T. Nguyen, GO-Biz Counsel  
Governor's Office of Business and Economic Development  
1325 J Street, Suite 1800  
Sacramento, CA 95814  
Email: [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov)  
Phone: (916) 322-2984

Or:

Scott Dosick, CCTC Assistant Deputy Director  
Governor's Office of Business and Economic Development  
1325 J Street, Suite 1800  
Sacramento, CA 95814  
Email: [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov)  
Phone: (916) 322-0676

Please direct requests for copies of the text of the proposed amended regulations, the Initial Statement of Reasons (ISOR), or other information upon which the rulemaking is based to Van T. Nguyen at the above address.

#### AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE

GO-Biz will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, and the Initial Statement of Reasons. Copies may be obtained by downloading them at [www.business.ca.gov/calcompetes.aspx](http://www.business.ca.gov/calcompetes.aspx) or contacting Van T. Nguyen at [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov).

#### AVAILABILITY OF CHANGED OR MODIFIED TEXT

After considering all timely and relevant comments received, GO-Biz may adopt the proposed regulations substantially as described in this notice. If GO-Biz makes modifications which are sufficiently different from the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before GO-Biz adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of Van T. Nguyen at the email address indicated above. GO-Biz will accept written comments on the modified regulations for 15 days after the date on which they are made available.

#### AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Van T. Nguyen at the email address above.

#### AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Rulemaking, the ISOR, and the text of the proposed amendments can be accessed through the GO-Biz website at [www.business.ca.gov/calcompetes.aspx](http://www.business.ca.gov/calcompetes.aspx).